

<p style="text-align: center;">ILLINOIS STATE BOARD OF INVESTMENT Responses to Submitted Questions: High Yield Fixed Income Manager</p>

This document serves as a formal response to the questions submitted through the process established by the Illinois State Board of Investment (“ISBI” or the “Board”). As stated in the Request for Competitive Proposals (“RFP”), questions concerning the RFP had to be submitted in writing via e-mail to the Search Contact by **3:00 PM, CDT, Monday, August 15, 2016**. Responses to questions properly submitted are consolidated into a single Q & A document as detailed below and posted on the Board’s website on or about **August 26, 2016**. The Q & A document does not identify the source of the query.

1. Are we allowed to submit a Global High-Yield mandate measured against the US High-Yield benchmark?

Yes.

2. What are the fees currently being paid to the incumbent?

0.20% on all assets.

3. Will managers be immediately disqualified if they are not able to disclose information regarding employee and vendor diversification?

Managers are required to disclose numerical data set forth in the RFP related to Public Act 98-1022.

4. Is ISBI willing to consider an actively managed global high yield investment strategy?

Yes .

5. Do you have credit quality limits within your investment guidelines?

No.

6. Do you have any specific security type restrictions (i.e., 144(a) securities)?

No.

7. Do you have any countries that are restricted from investment?

Please refer to ISBI’s Investment Policy and 40 ILCS 5/1-110.16

8. Do you currently have other global mandates that have required foreign markets to be opened with the custodian?

Yes.

9. Are there SRI restrictions?

No.

10. Do you currently use or permit derivatives?

Yes.

- a. Futures?

Yes.

- b. CDS?

Yes.

- c. Swaps?

Yes.

- d. Currency Forwards?

Yes.

11. If so, do you have ISDAs, futures, options and collateral agreements in place with brokers?

In the past ISBI has had exposure to ISDAs, futures, options and collateral agreements, but each manager is responsible for seeking best execution.

- a. If so, which brokers?

N/A .

12. Do you have unique or specific currency requirements?

No .

- a. Do you require the portfolio to be hedged back to specific currency?

No.

- b. Are there any restrictions on who we can trade with (e.g., custodian only)?

No.

13. Do your state guidelines have any other requirements or limitations that could impact implementation of trading agreements? (e.g., rules around collateralization, limited recourse requirements, etc.)

No.

14. What is the account's typical cash flow profile regarding redemptions/subscriptions?

Limited cash flows as ISBI is a long-term investor, and will only submit redemptions/contributions to periodically rebalance to targets.

15. Are there specific trade communications requirements such as pre-approval of trades or the use of non-SWIFT trade communications?

This depends on the requirements of the Custodian. Note, most managers utilize SWIFT trade communications.

16. Are there any provisions in the Investment Policy, Standard Investment Agreement, or Fixed Income Investment Guidelines, that are particularly unique to the plan, as it relates to a Fixed Income portfolio assignment?

Please review ISBI's Investment Policy for specific goals on MWDBE brokerage and any other client specific requirements.

17. What are the service requirements for investment reviews?

The chosen manager will be expected to provide quarterly updates to Staff and the Investment Consultant over the phone or in person, in addition to other items outlined in the RFP.

18. "A copy of the requisite insurance policies upon initiation of the contract" is required as part of Exhibit B, #23. We would only be able to provide the certificate of insurance and not the entire policy as it covers our parent firm and other affiliates. Is this acceptable?

Yes.

19. Within ISBI's diversity policy, there is a stated minimum goal for fixed income managers to direct 20% of their trades to minority-owned broker dealers. Does this same standard apply to high yield mandates?

Yes.

20. In Exhibit B, representation 18, please define what you consider a "discriminatory club." For example, would paying an employee's dues for membership in a Women's Bar Association be considered discriminatory?

The definition of "discriminatory club" can be found at the following: <http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=2270&ChapterID=64>.

21. Would you be able to clarify if there are any specific requirements or client guidelines for the proposed mandate other than US High Yield?

Not at this time.

22. I was reading through your RFP and noticed that you are looking for us to provide a "sample portfolio." Since we do not give our portfolios out to others, I wanted to see if this could be a deal-breaker for us here at [REDACTED].

This is not a deal breaker, however we will require significant information pertaining to your investments in order to conduct our due diligence process.

23. We currently have about 150mm of capacity before we close our fund, so I am also curious as to the average allocation size you plan to invest through this RFP.

The expected allocation is \$230 million.

24. Our active High-Yield strategy is benchmarked against the BofA Merrill Lynch BB-B U.S. Cash Pay High Yield Constrained Index. Would you accept attribution and characteristics benchmarked to this index throughout the RFP?

Yes.

25. I would like to request a Microsoft Word version of the ISBI RFP that was posted yesterday for an Emerging Markets Equity (Active) manager, so that my firm can fill out a response by the deadline.

Participants need to fill out the supplied search document to complete their response.